



MEMBERS COMPLIANCE INFRACTIONS & PENALTIES GUIDE

August 2018

1. Introduction

This document provides a non-exhaustive list of infractions as well as their attendant penalties with respect to Members' obligations as Members of FMDQ OTC Securities Exchange ("FMDQ" or the "OTC Exchange") as outlined in the relevant Rules, Market Bulletins, Agreements and such other regulation as may be prescribed by FMDQ from time to time.

There are a number of factors which the OTC Exchange takes into account when considering what disciplinary action to take in relation to an infraction. These are set out below:

- The severity, size and nature of the infraction
- How the infraction came to light
- The actual or potential market impact of the infraction, and any other repercussions
- The extent to which the infraction was deliberate, negligent or reckless
- The general compliance history of the Member and specific history regarding the infraction in question
- The responsiveness and conduct of the Member in relation to the matter under investigation

FMDQ may at its discretion vary the penalties structure outlined below to adapt to the circumstances of any particular case, taking the severity of the infraction or other factors outlined above into consideration.

This Infractions and Penalties Guide shall be read in conjunction with all FMDQ Rules, Agreements, Market Bulletins and such other regulation as may be prescribed by the OTC Exchange from time to time. In line with market dynamics and best practices, this Infractions & Penalties Guide may be reviewed from time to time.

2. Infractions & Penalties

S/N	Infractions	Penalties
Part A: General Infractions		
1.	Failure to notify FMDQ immediately in writing of any material changes to the information submitted during the course of its membership application, including but not limited to changes in Members' Authorised Representatives, change in Board of Directors, and change in Management within one (1) month of such change	<ul style="list-style-type: none"> i. First time: Notice of Infraction to the Compliance Officer of the Member ii. Second time: Notice of Infraction to the Compliance Officer with the MD/CEO in copy iii. Third time: Fine of ₦250,000.00 (two hundred and fifty thousand Naira) and ₦25,000.00 (twenty-five thousand Naira) for each day the Infraction subsists
2.	Failure to ensure that documents, records, or any other material related to activities on the FMDQ Platform, including but not limited to trading, brokerage, registration, listings and quotations are properly maintained and kept strictly confidential except as may be required by any law, rule, regulation, order or judgment of a competent court in Nigeria for a period to be advised by FMDQ and where not expressly advised, in accordance with FMDQ's Rules	<ul style="list-style-type: none"> iv. Fourth time: Fine of ₦500,000.00 (five hundred thousand Naira) and ₦50,000.00 (fifty thousand Naira) for each day the Infraction subsists v. Subsequent offences may lead to the suspension of the Member for a period of three (3) months or such other period as may be prescribed by the OTC Exchange from time to time
3.	Failure to notify FMDQ of any facts or circumstances which may affect the legal form or organisation of the	

S/N	Infractions	Penalties
	Member or its trading activities on the FMDQ Platform, including but not limited to any consolidation, reorganisation, merger, change of name, change of control or similar event to which the Member is or will become a Party and provide such additional information as FMDQ may reasonably require within two (2) business days of resolution by the Member's Board of Directors	
4.	Misrepresentation of its membership or services that it is able to provide in relation to its membership of the OTC Exchange	
5.	Refusal of FMDQ or its duly appointed agents to carry out on-site examinations and investigations or non-cooperation with FMDQ or its duly appointed agents during on-site examinations and investigations	<p>i. First time: Notice of Infraction to the Compliance Officer of the Member with the MD/CEO in copy</p> <p>ii. Second time: Fine of ₦500,000.00 (five hundred thousand Naira) and ₦50,000.00 (fifty thousand Naira) for each day the Infraction subsists</p> <p><i>Notwithstanding the above-outlined penalties, Members culpable of this Infraction shall be suspended from the market until compliance</i></p>
6.	<p>All infractions which may be subject to investigation including, but not limited to:</p> <p>i. Failure to document, implement and maintain adequate internal procedures and controls in relation to its business on the FMDQ Platform</p> <p>ii. Failure to comply with such market standards, capacity requirements, capital or settlement line requirements as may be determined by FMDQ from time to time (where applicable)</p> <p>iii. Such other infractions that may be prescribed by FMDQ from time to time</p>	<p>FMDQ shall impose appropriate penalties for such infractions as may prescribed by the OTC Exchange from time to time, including but not limited to:</p> <p>(i) Warning letters</p> <p>(ii) Public censure</p> <p>(iii) Fines</p> <p>(iv) Suspension from the FMDQ markets</p> <p>(v) Loss of Membership Rights and Privileges</p> <p>(vi) Termination of Membership</p> <p>(vii) Non-consideration for the FMDQ GOLD Awards</p> <p>(viii) Report to the relevant regulatory and enforcement authorities</p>
Part C: Dealing Member Infractions		
1.	Transacting or concluding trades with a Broker or Inter-Dealer Broker (either domestic or offshore) either directly or indirectly in relation to the products traded on the FMDQ Platform that is not licenced by FMDQ	<p>i. First time: Notice of Infraction to the Compliance Officer of the Member</p> <p>ii. Second time: Notice of Infraction to the Compliance Officer with the MD/CEO in copy</p> <p>iii. Third time: Fine of ₦250,000.00 (two hundred and fifty thousand Naira) and ₦25,000.00 (twenty-five thousand Naira) for each day the Infraction subsists</p>
2.	Operation of any account that serves as brokerage settlement accounts, for the products traded on the FMDQ Platform by/for any individual or body corporate that is not licenced by FMDQ and/or registered with the Securities and Exchange	<p>iv. Fourth time: Fine of ₦500,000.00 (five hundred thousand Naira) and ₦50,000.00 (fifty thousand Naira) for each day the Infraction subsists</p>

S/N	Infractions	Penalties
	Commission to carry out a trading or brokerage function but still brokers any of the products	v. Fifth time: Suspension of the Member for a period of three (3) months or such other period as may be prescribed by the OTC Exchange from time to time
Part D: Reporting Requirements		
General		
1.	Failure by a Member to promptly provide complete and accurate data and statistics relating to its activities on the FMDQ Platform	i. First time: Notice of Infraction to the Compliance Officer of the Member ii. Second time: Notice of Infraction to the Compliance Officer with the MD/CEO in copy iii. Third time: Fine of ₦100,000.00 (one hundred thousand Naira) and ₦10,000.00 (ten thousand Naira) for each day the Infraction subsists iv. Fourth time: Fine of ₦250,000.00 (two hundred and fifty thousand Naira) and ₦25,000.00 (twenty-five thousand Naira) for each day the Infraction subsists v. Fifth time: Suspension of the Member for a period of three (3) months or such other period as may be prescribed by the OTC Exchange from time to time <i>*Penalties accorded to Dealing Member (Banks) shall be as prescribed in the FMDQ Trading and Reporting Infractions & Penalties Guide</i>
Associate Member (Brokers) and (Inter-Dealer Brokers)		
1.	Failure to submit brokerage activity data/reports as may be requested by FMDQ from time to time	i. First time: Notice of Infraction to the Compliance Officer of the Member ii. Second time: Notice of Infraction to the Compliance Officer with the MD/CEO in copy iii. Third time: Fine of ₦100,000.00 (one hundred thousand Naira) and ₦10,000.00 (ten thousand Naira) for each day the Infraction subsists iv. Fourth time: Fine of ₦250,000.00 (two hundred and fifty thousand Naira) and ₦25,000.00 (twenty-five thousand Naira) for each day the Infraction subsists v. Fifth time: Suspension of the Member for a period of three (3) months or such other period as may be prescribed by the OTC Exchange from time to time

APPENDIX I: GENERAL GUIDELINES

S/N	Standard
1.	Where two (2) or more infractions meet the specified thresholds for a fine, the defaulting Member shall be fined for each infraction.
2.	All responses to the notices of infractions must be received, and fines paid within the timelines stipulated in the written communication to Members.
3.	Infractions may be captured in the FMDQ Members' Compliance Ranking Report published on the FMDQ website or such other FMDQ-advised media.
4.	Penalties imposed in accordance with this Guide do not constitute a waiver of other disciplinary actions which FMDQ may deem fit to take from time to time. Such disciplinary actions will be conducted in accordance with the FMDQ Disciplinary Process. (Click here to view)
5.	Appeals against penalties shall be conducted in accordance with FMDQ's appeal process as may be prescribed by the OTC Exchange from time to time.
6.	Fines shall be invoiced monthly and shall not be combined with any other Fees.
7.	The OTC Exchange may, at its discretion, waive the enforcement of these penalties.